

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 STR-04

CEA-01 DLOS-09 OES-07 ACDA-07 ERDA-05 DHA-02 /118 W

-----242357Z 029644 /14

R 242132Z MAY 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3253

INFO AMCONSUL AUCKLAND

AMEMBASSY CANBERRA

AMEMBASSY SUVA

CINCPAC

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: ECON, PFOR, NZ

SUBJECT: 1977 THRONE SPEECH

1. BEGIN LIMITED OFFICIAL USE. SUMMARY: THE NATIONAL PARTY GOVERNMENT'S 1977 LEGISLATIVE PROGRAM CALLS BASICALLY FOR MORE OF THE SAME TO CURE NEW ZEALAND'S CONTINUING ECONOMIC ILLS. THE GNZ NOTED ENCOURAGING SIGNS SUCH AS A LEVELING OFF IN THE RATE OF PRICE INCREASES AND A REDUCTION IN BALANCE OF PAYMENTS AND GOVERNMENT DEFICITS, BUT WARNED AGAINST COMPLACENCY. FOR THE US, OUR ALLY'S ECONOMIC PLIGHT MEANS CONTINUED RESTRICTIONS ON ACCESS FOR AMERICAN MANUFACTURES AND THE NEED TO RECOGNIZE NEW ZEALAND'S REQUIREMENTS FOR ACCESS TO OUR MARKETS. END SUMMARY. END LIMITED OFFICIAL USE- BEGIN UNCLASSIFIED.

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2. STATE-OF-THE-DOMINION: THE ANNUAL SPEECH FROM THE THRONE, DELIVERED BY THE GOVERNOR-GENERAL ON BEHALF OF THE NATIONAL PARTY GOVERNMENT AT THE REOPENING OF PARLIAMENT ON MAY 19, CONCENTRATED ALMOST ENTIRELY ON NEW ZEALAND'S ECONOMIC AILMENTS. CALLING THE OUTLOOK "MORE DIFFICULT THAN AT ANY TIME SINCE THE SECOND

WORLD WAR," THE GOVERNMENT RESTATED ITS PREVIOUS DIAGNOSIS OF THE NATION'S ECONOMIC ILLS -- BALANCE OF PAYMENTS AND GOVERNMENT DEFICITS, INFLATION, AND STRUCTURAL IMBALANCE -- AND PRESCRIBED MORE OF LAST YEAR'S MEDICINE AIMED AT REDUCING DEMAND, DIVERTING PRODUCTION TO EXPORT, AND CONTROLLING GOVERNMENT EXPENDITURES. DESPITE ENCOURAGING SIGNS IN EACH OF THESE PROBLEM AREAS DURING THE PAST YEAR, THE GOVERNMENT WARNED THAT THERE IS NO ROOM FOR COMPLACENCY.

3. THE PRESCRIPTION: BALANCE OF PAYMENTS: TO REMEDY ITS UNSUSTAINABLY HIGH BALANCE OF PAYMENTS DEFICIT (FY-1974-5:\$1370 MILLION; 1975-6:\$100, MILLION; 1976-7:\$861 MILLION (EST.)), THE GOVERNMENT PROPOSED SEVERAL MEASURES AIMED AT INCREASING EXPORT PRODUCTION AND EFFICIENCY. TO STIMULATE INDUSTRIAL EXPORTS, THE GNZ SAID IT WOULD REFINE EXISTING MEASURES AND INTRODUCE NEW ONES TO ENCOURAGE EFFICIENCY IN THE PRODUCTION OF A WIDER RANGE AND GREATER VALUE OF GOODS. IN ADDITION, IT PROPOSED TO EXPLOIT THE OPPORTUNITY CREATED BY THE FORTHCOMING DECLARATION OF A 200 N.M. ECONOMIC ZONE TO INCREASE THE SCALE AND VALUE OF ITS FISHING INDUSTRY. THE GOVERNMENT ALSO PROMISED TO CONTINUE EFFORTS TO IMPROVE AND SECURE ACCESS ARRANGEMENTS INTO TRADITIONAL MARKETS FOR NEW ZEALAND'S PRIMARY PRODUCTS. AT THE SAME TIME, THE GNZ SAID EMPHASIS WOULD BE PLACED ON STRENGTHENING TRADE

RELATIONS WITH THIRD WORLD AND SOCIALIST COUNTRIES.
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THE GOVERNMENT ROUNDED OUT ITS BALPA PACKAGE BY ANNOUNCING THAT THE PRESENT IMPORT LICENSE AND IMPORT DEPOSIT SCHEME WILL BE RETAINED.

4. GOVERNMENT DEFICIT: TO FURTHER CURB PUBLIC SPENDING, NATIONAL'S LEADERSHIP WILL INTRODUCE A PUBLIC FINANCE BILLING GIVING PARLIAMENT ENHANCED BUDGETARY CONTROLS.

5. INFLATION: DESPITE A REDUCED RATE OF INFLATION (DOWN FROM 15 PERCENT IN 1976 TO 13 PERCENT PRESENTLY), THE GNZ RULED OUT A RETURN TO COMPLETE FREEDOM FROM INCOME RESTRAINT. INSTEAD, WITHOUT GIVING SPECIFICS, IT PROPOSED TO INTRODUCE A NEW WAGE FIXING SYSTEM INCORPORATING "BOTH FLEXIBILITY AND RESTRAINT."

6. STRUCTURAL IMBALANCE: AMONG MEASURES TO REMEDY THIS, THE GOVERNMENT STATED THAT IT WOULD GIVE PRIORITY TO A BILL ESTABLISHING THE NEW ZEALAND PLANNING COUNCIL, A BODY INTENDED TO COORDINATE GOVERNMENT, LOCAL AUTHORITY,

AND PRIVATE ECONOMIC AND SOCIAL PLANNING.

7. UNEMPLOYMENT/IMMIGRATION: THOUGH CONCEDED THAT UNEMPLOYMENT WOULD BE UP SLIGHTLY IN 1977, THE GOVERNMENT NEVERTHELESS CONGRATULATED ITSELF ON ONE OF THE LOWEST UNEMPLOYMENT RATES AMONG THE OECD COUNTRIES (PRESENTLY LESS THAN 2 PERCENT). IN THE RELATED FIELD OF IMMIGRATION, THE GNZ SAID THAT THE TIGHT OCCUPATIONAL CONTROLS WHICH IT IMPLEMENTED HAVE BEEN SUCCESSFUL AND IT IS NOW POSSIBLE TO RELAX THEM SLIGHTLY SO THAT MORE SKILLED WORKERS CAN BE ADMITTED. (THE GOVERNMENT WAS OBVIOUSLY REACTING TO OPPOSITION CRITICISM SURROUNDING THE RECENT RELEASE OF FIGURES SHOWING AN ESTIMATED MIGRATION LOSS OF 16,100 PERSONS FOR THE MARCH YEAR, AN ALL-TIME HIGH.)

8. 200 N.M. ECONOMIC ZONE: SEE WELLINGTON 1855.
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9. INTERNATIONAL POLITICAL RELATIONS: PRIME MINISTER MULDOON'S RECENT TALKS WITH LEADERS IN AUSTRALIA, THE UK, AND EUROPE, AND HIS FORTHCOMING VISIT TO THE US WERE CITED AS UNDERLINING THE FUNDAMENTAL IMPORTANCE THE GOVERNMENT ATTACHES TO SUSTAINING NEW ZEALAND'S RELATIONSHIPS WITH THE WESTERN COMMUNITY. OF EQUAL IMPORTANCE, THE GOVERNMENT SAID, IS ITS PARTNERSHIP WITH ASIA AND THE PACIFIC. IT WOULD WORK FOR A SECURE AND LONG-TERM ECONOMIC RELATIONSHIP WITH JAPAN (A REFERENCE TO GNZ PRESSURE FOR A FISHING RIGHTS-FOR-TRADE AGREEMENT DEAL - SEE WELLINGTON 1758) AND TO STRENGTHEN RELATIONSHIPS WITH ASEAN COUNTRIES (APPARENTLY POINTING TO MULDOON'S MEETING WITH THE ASEAN HEADS OF STATE IN AUGUST). THE GOVERNMENT, IN ADDITION, PLEDGED TO WORK WITH BOTH EAST AND WEST FOR THE CONCLUSION OF A NUCLEAR WEAPON TEST-BAN TREATY, TO OPPOSE ALL FORMS OF RACIAL LIMITED OFFICIAL USE

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DISCRIMINATION, AND TO SUPPORT INTERNATIONAL ENDEAVORS TO SECURE FULL HUMAN RIGHTS FOR ALL PEOPLE (THE LATTER, APPARENTLY THE GOVERNMENT'S RESPONSE TO THE SOUTH AFRICAN SPORTING CONTACTS ISSUE). THE GNZ, REAFFIRMING ITS ADHERENCE TO A POLICY OF COLLECTIVE DEFENSE, SAID IT ATTACHES HIGH PRIORITY TO THE MAINTENANCE OF ARMED FORCES ADEQUATE FOR NEW ZEALAND'S FORESEEABLE NEEDS AND CAPABLE OF TIMELY EXPANSION SHOULD THE NEED ARISE. IT ADDED THAT IN THE LIGHT OF RECENT CHANGES IN THE STRATEGIC SITUATION AND "MODIFICATIONS" IN THE DEFENSE POLICIES OF ITS MAJOR ALLIES, A REVIEW OF DEFENSE NEEDS IN THE 1980'S IS UNDERWAY.

11. BEGIN LIMITED OFFICIAL USE. COMMENT: MOST OF THE LEGISLATIVE INITIATIVES OUTLINED IN THE THRONE SPEECH WERE EITHER FORESHADOWED IN THE 1975 NATIONAL PARTY MANIFESTO OR HAVE BEEN MENTIONED EARLIER BY GOVERNMENT SPOKESMEN. IN THIS MIDDLE-YEAR OF A THREE YEAR TERM, THE GOVERNMENT IS OBVIOUSLY RELUCTANT FOR POLITICAL REASONS TO DO SIGNIFICANTLY MORE THAN FINE TUNE ITS PRESENT ECONOMIC POLICY. BY ELECTION RESULTS AS WELL AS ECONOMIC INDICATORS CONFIRM ITS VIEW THAT THIS IS THE RIGHT COURSE. MOREOVER, THE OPPOSITION LABOUR PARTY IS ONLY SLOWLY BEGINNING TO PULL ITSELF TOGETHER AFTER ITS SHATTERING 1975 DEFEAT. THE PUBLIC, MEANWHILE, IS REACTING WITH A LARGE YAWN AND THE PRESS IS CALLING FOR CONSTRUCTIVE DEBATE RATHER THAN THE LOW LEVEL OF PARTISAN CONFRONTATION WHICH CHARACTERIZED LAST SESSION. PARLIAMENTARY ANTAGONISTS, HOWEVER, ARE SAID ALREADY TO BE PRACTICING THEIR LONG-RANGE SPITTING,

SNIDE REMARKS, AND CHEAP SHOTS. LABOUR'S REVIVAL OF THE PRE-1951 SOCIALIST SLOGAN, "THE SOCIALIZATION OF THE MEANS OF PRODUCTION, DISTRIBUTION, AND EXCHANGE" (DESCRIBED BY PARTY LEADER ROWLING AS A "BLOODY STEP BACKWARD") WILL PROVIDE A FAT TARGET FOR NATIONAL PARTY MARKSMEN. LABOUR CAN BE EXPECTED TO BE LIMITED OFFICIAL USE

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EQUALLY OPPORTUNISTIC IN ITS ATTACKS ON THE GOVERNMENT FOR THE NATION'S CONTINUED ECONOMIC WOES, FOCUSING PARTICULARLY ON THE CONTINUED HIGH RATE OF INFLATION, NET LOSS OF NEW ZEALANDERS THROUGH IMMIGRATION, POSSIBLE ANTI-LABOUR LEGISLATION, AND CUMULATIVELY LOWER STANDARD OF LIVING DURING THE YEAR AND HALF UNDER NATIONAL RULE. PERHAPS ONE OF THE NASTIER ROUNDS WILL BE FOUGHT OVER THE PERENNIAL HOBGOBLIN: ABORTION LEGISLATION. THIS IS AN ISSUE WHICH P.M. MULDOON HAS ATTEMPTED TO MAKE NON-PARTISAN BY DECLARING IT A QUESTION OF CONSCIENCE. WHETHER HE WILL BE SUCCESSFUL IN KEEPING IT A NON-PARTY ISSUE IN THE PUBLIC'S EYES REMAINS TO BE SEEN. SINCE MULDOON WILL BE ON THE ROAD IN EUROPE, SOUTHEAST ASIA, THE US, AND THE CARIBBEAN FOR A LARGE PART OF THE SESSION, HIS SECOND STRING WILL HAVE TO CARRY THE BALL. RUMOR HAS IT THAT, ON THE OTHER SIDE OF THE HOUSE, MUCH OF THE DEBATE WILL BE FIELDLED BY WARREN FREER AND OTHERS, WITH PARTY LEADER ROWLING SPENDING MORE TIME ON THE HUSTINGS.

12. FOR THE US, THE NATIONAL PARTY GOVERNMENT'S PRESCRIPTION FOR NEW ZEALAND'S ECONOMIC PLIGHT MEANS CONTINUED RESTRICTIONS ON ACCESS FOR AMERICAN MANUFACTURES AND, ON THE OTHER HAND, THE NECESSITY OF RECOGNIZING NEW ZEALAND'S NEED FOR GREATER ACCESS TO OUR MARKETS. THE DEBATE ON THE DEFENSE VOTE SHOULD GIVE A BETTER READING OF WHERE THE LABOR CAUCUS STANDS ON THE PARTY'S RECENT ANNUAL CONFERENCE RECOMMENDATION THAT NEW ZEALAND WITHDRAW FROM MILITARY ALLIANCES WITH "NUCLEAR POWERS". END LIMITED OFFICIAL USE.
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